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**FORMER INVESTMENT COMPANY OWNERS CONVICTED**

***Fort Worth Couple, Gary and Sandra Reeder, Owned and Operated  
Cornerstone Prodigy Group, Inc.***

United States Attorney Richard B. Roper announced today that following a two-week trial and just over two hours of deliberation, a federal jury in Fort Worth, Texas, convicted Gary and Sandra Reeder on 13 counts of mail fraud and one count of money laundering related their operation of a multi-million dollar investment fraud that targeted individuals throughout the United States and several foreign countries. They will be sentenced by the Honorable Terry R. Means, United States District Judge, on January 24, 2005. Gary Reeder, age 58, and Sandra Reeder, age 57, each face a statutory maximum of 80 years imprisonment and millions of dollars in fines.

In July 2002, a federal grand jury returned a 17-count indictment against Gary and Sandra Reeder, Fort Worth residents and former owners and operators of Cornerstone Prodigy Group, Inc. (Cornerstone). After nearly two years as fugitives from justice, they were arrested in southeast Fort Worth in March 2004. Prior to trial, the government dismissed three counts of the indictment.

Cornerstone was shut down by the Securities and Exchange Commission (SEC) in December 1999. In April 2000, the Honorable United States District Judge Terry Means issued a permanent injunction barring the Reeders from any further violations of the anti-fraud and securities registration requirements of U.S. The SEC's lawsuit had alleged that the Reeders were operating a Ponzi scheme and that Cornerstone fraudulently raised at least \$16.5 million in 1999 from more than 600 investors.

At trial, witnesses testified that Cornerstone was a classic Ponzi scheme and was insolvent as of October 31, 1999. Cornerstone's Affiliate Program took in more than \$12,700,000 during the eight and one-half months it operated from March 1999 through November 15, 1999. Ultimately there were 849 "investors" in the program. Testimony further showed that at least 93% of the money coming into Cornerstone was from investors and not from profits from "pre-sold product" as the Affiliate Agreements and promotional brochures claimed. Cornerstone's Affiliate Program promised investors a share of profits generated by Cornerstone and its related companies. The Reederes developed this program and they, along with their sales staff, marketed it to the public by using the internet, telephone sales and cash payments for investor referrals.

More than 50% of the checks written by Cornerstone were for "profit sharing" Ponzi payments even though no profits could be identified. Testimony also showed that as of 10/31/99, Cornerstone had a cash shortfall of more than \$9,000,000.

The court-appointed receiver was ultimately able to liquidate all of Cornerstone's assets (automobiles, gold and silver coins, houses, and other property) to reduce the cash shortfall to approximately \$6,054,000. "Investors" were ultimately paid back by the receivership at a rate of 48.6% of the money that they had "invested. The receiver also testified that this was a classic Ponzi scheme and a financial fraud.

United States Attorney Roper commended the investigative work of the Federal Bureau of Investigation, the United States Postal Inspection Service, the Internal Revenue Service - Criminal Investigation, the Securities and Exchange Commission, and the Fort Worth Police Department. Assistant United States Attorneys Paul E. Gartner and Chris Wolfe prosecuted the case.